

Statistical press release

Business start-ups and closures: VAT registrations and de-registrations in 2005

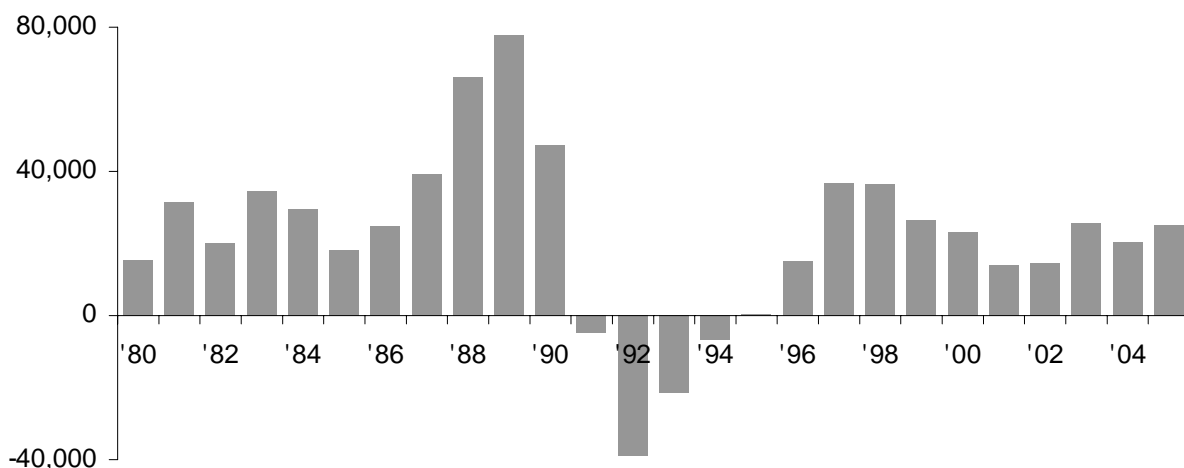
Estimates of the number of enterprises registering and de-registering for VAT in 2005 are published today by the Small Business Service. The stock of VAT-registered enterprises at the start of 2006 is also released.

A dataset containing estimates for the period 1994-2005, for local areas, for Parliamentary Constituencies and for each of the UK's 200 main industries, is available on the Small Business Service website.

Key results

In 2005, there were 177,900 registrations and 152,900 de-registrations, resulting in an increase of 25,000 (1.4 per cent) in the stock of VAT-registered enterprises during 2005. There have been increases in the stock of VAT registered enterprises in every year from 1995 onwards (Figure 1).

Net change in the stock of VAT registered enterprises, 1980-2005¹



Source: Small Business Service (Statistics Team)

1. Increases in the VAT registration threshold in 1991 and 1993 mean the estimates are only broadly comparable over the period 1980-2005. Data for the period 1980-1993 are published separately at www.sbs.gov.uk/vats

The number of registrations decreased by 5,900 (3.2 per cent) between 2004 and 2005 and the number of de-registrations decreased by 10,500 (6.4 per cent) over the same period. This is the lowest number of de-registrations since 1999. In 2005, there were 37 registrations and 31 de-registrations for every 10,000 people aged 16 or over in the UK (Table 1).

Table 1
VAT registrations, de-registrations and stock

UK, thousands, rate per 10,000 resident adults, percentage change

	Registrations		Deregistrations		Stock at start year
	'000	rate	'000	rate	
1994	166.9	36	173.6	38	1,621.8
1995	161.8	35	161.3	35	1,615.0
1996	166.1	36	150.9	33	1,615.5
1997	182.7	39	146.0	32	1,630.6
1998	182.2	39	145.8	31	1,667.3
1999	176.9	38	150.3	32	1,703.8
2000	178.9	38	155.8	33	1,730.4
2001	170.0	36	155.9	33	1,753.5
2002	176.9	37	162.4	34	1,767.6
2003	191.2	40	165.5	35	1,782.2
2004	183.8	38	163.4	34	1,807.9
2005	177.9	37	152.9	31	1,828.2
2006	1,853.2
change 04-05 ('000) ¹	-5.9	-2	-10.5	-2	25.0
change 04-05 (%) ¹	-3.2	-4	-6.4	-7	1.4

Source: Small Business Service (Statistics Team)

.. Not available

1. In the case of stock, the figures refer to change during 2005 (between start 2005 and start 2006).

Industries

In 2005, all sectors saw a decrease or no change in the number of registrations compared with 2004, and in most sectors, the number of de-registrations also decreased (Table 2). The Business Services sector saw the largest fall in registrations, with 2,200 fewer in 2005 than in 2004. The largest fall in the number of de-registrations was in Wholesale, Retail and Repairs (3,000) and de-registrations fell in all sectors except Agriculture and Fishing, where de-registrations increased by 600.

Table 2
Enterprises registering and de-registering for VAT by industry, UK, 2005

Thousands

	Registrations		Deregistrations		Stock	
	2005	change on 2004	2005	change on 2004	start of 2006	change during 2005
All industries	177.9	-5.9	152.9	-10.5	1,853.2	25.0
Agriculture, fishing	3.8	0.0	6.6	0.6	142.1	-2.8
Mining, energy, water	0.2	0.0	0.2	0.0	1.8	0.0
Manufacturing	9.4	-0.6	11.7	-1.3	150.2	-2.2
Construction	22.1	-0.2	16.0	-0.5	214.4	6.0
Wholesale, retail, repairs	36.1	-0.5	32.2	-3.0	388.3	4.0
Hotels, restaurants	18.9	-1.4	14.5	-2.6	133.0	4.4
Transport, communication	9.1	0.0	7.3	-0.4	81.3	1.8
Finance	1.7	-0.1	1.5	-0.1	19.5	0.2
Business services	64.5	-2.2	50.4	-2.1	552.9	14.2
Education, health	2.2	0.0	1.5	-0.1	28.4	0.7
Other services	9.8	-0.9	11.1	-1.1	141.3	-1.3

Source: Small Business Service (Statistics Team)

During 2005, as in 2004, the largest net losses in the stock of VAT-registered businesses were in Agriculture and Fishing, where de-registrations exceeded registrations by 2,800, and in Manufacturing, where there was a net loss of 2,200 businesses. The largest net gain was once more in Business Services, where the stock of VAT registered businesses rose by 14,200. This industry sector has grown by over 200,000 businesses in the last ten years to 552,900, or 30 per cent of all VAT registered businesses in the UK at the start of 2006.

Regions and local areas

In 2005, all regions except Northern Ireland saw a decrease or no change in the number of registrations compared with 2004 and in all except Northern Ireland the number of de-registrations also decreased (Table 3).

There were 33,900 registrations in London in 2005, the largest number of any English region, closely followed by the South East, where there were 27,700 registrations. London saw the largest absolute fall in registrations (1,400) and in Northern Ireland registrations increased by 100. London also saw the largest absolute decrease in de-registrations, down 1,900 on 2004. In Northern Ireland, de-registrations increased by 400.

Overall, there was a 25,000 increase in the stock of VAT registered enterprises during 2005, and all regions saw an increase in their stock. London saw the biggest increase (3,700), and Northern Ireland saw the smallest (300).

Table 3**Enterprises registering and de-registering for VAT by country and region, 2005**

Thousands

	Registrations		Deregistrations		Stock	
	2005	change on 2004	2005	change on 2004	start of 2006	change during 2005
United Kingdom	177.9	-5.9	152.9	-10.5	1,853.2	25.0
North East	4.5	0.0	3.6	-0.3	46.9	0.9
North West	17.5	-0.6	14.3	-1.4	176.8	3.2
Yorkshire and the Humber	12.7	-0.4	10.7	-0.5	133.3	1.9
East Midlands	12.0	-0.4	9.8	-0.9	127.6	2.3
West Midlands	14.6	-0.6	12.6	-1.3	154.8	2.0
East of England	17.8	0.0	14.7	-1.3	187.6	3.1
London	33.9	-1.4	30.2	-1.9	288.4	3.7
South East	27.7	-1.1	24.6	-1.3	291.8	3.1
South West	14.9	-0.6	12.7	-1.0	174.1	2.2
England	155.6	-4.9	133.2	-9.6	1,581.4	22.4
Wales	6.4	-0.6	5.6	-0.5	81.5	0.9
Scotland	11.5	-0.5	10.2	-0.8	129.2	1.4
Northern Ireland	4.3	0.1	4.0	0.4	61.1	0.3

Source: Small Business Service (Statistics Team)

Regions with a high registration rate also tend to have a high de-registration rate (Table 4). There are also large regional variations. In London there were 56 registrations for every 10,000 residents aged 16 or over, compared to just 22 in the North East (Table 4).

Table 4**Registration, de-registration and stock rates by country and region, 2005**

Number per 10,000 resident adults

	Registrations		Deregistrations		Stock	
	2005	change on 2004	2005	change on 2004	start of 2006	change during 2005
United Kingdom	37	-1.5	31	-2.4	381	1.8
North East	22	0.0	17	-1.4	225	2.4
North West	32	-1.2	26	-2.7	321	4.1
Yorkshire and the Humber	31	-1.1	26	-1.4	327	2.3
East Midlands	34	-1.4	28	-2.7	366	3.2
West Midlands	34	-1.6	29	-3.2	360	1.6
East of England	40	-0.5	33	-3.3	420	2.2
London	56	-3.1	50	-3.9	475	-0.4
South East	42	-2.1	37	-2.2	443	0.9
South West	36	-1.7	31	-2.6	421	1.9
England	38	-1.6	33	-2.7	388	2.0
Wales	27	-2.7	23	-2.1	341	2.0
Scotland	28	-1.2	24	-2.0	310	1.6
Northern Ireland	32	0.6	30	2.7	455	-3.0

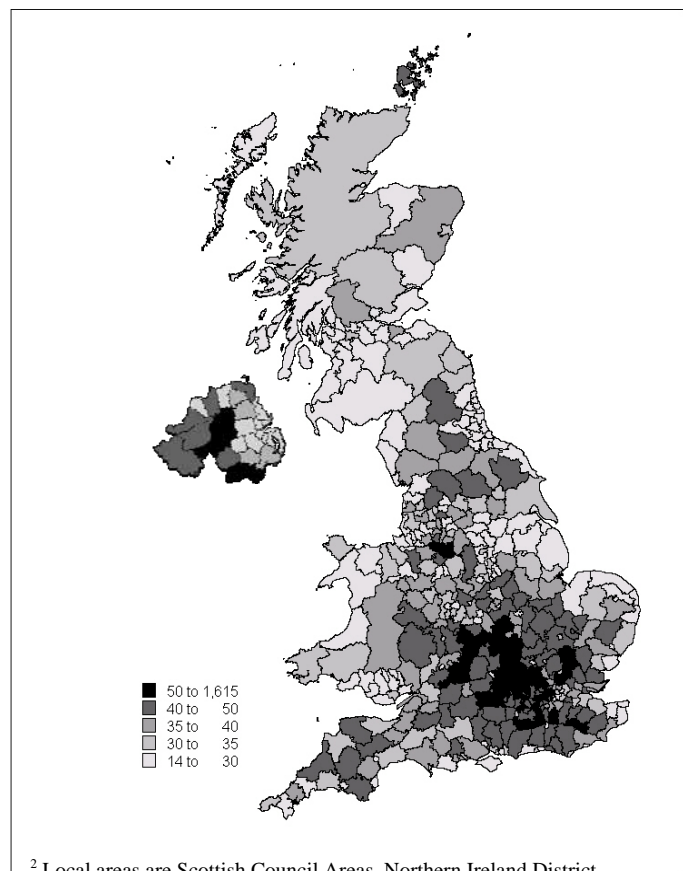
Source: Small Business Service (Statistics Team)

All regions and countries except Northern Ireland saw a decrease or no change in the number of VAT registrations per 10,000 residents aged 16 or over in 2005, compared to 2004 (Table 4). However, all regions except Northern Ireland also saw a decrease in the number of VAT de-registrations per 10,000 residents aged 16 or over during the same time period.

Figure 2 shows how VAT registration rates vary across the UK at a local area level². Rates range from 14 registrations per 10,000 resident adults in South Tyneside Local Authority, Wansbeck Local Authority and Carrickfergus District Council to 1,615 in the City of London.

In general, VAT registration rates are higher in London and surrounding regions. There are a number of clusters of low registration rates across the UK, such as the North East of England, South West Scotland, and South Wales.

Figure 2
VAT registration rates in 2005 by local area²
(registrations per 10,000 resident adults)



² Local areas are Scottish Council Areas, Northern Ireland District Councils, London Boroughs, and Unitary Authorities/ Local Authority Districts in the rest of England and Wales.

National Statistics

National Statistics are produced to high professional standards set out in the National Statistics Code of Practice. They undergo regular quality assurance reviews to ensure that they meet customer needs. They are produced free from any political interference. You can find a range of National Statistics on the Internet –

www.statistics.gov.uk

Notes to editors

1. VAT registrations and de-registrations are the best official guide to the pattern of business start-ups and closures. They are an indicator of the level of entrepreneurship and of the health of the business population. As such they are used widely in regional and local economic planning.

2. These figures do not, however, give the complete picture of start-up and closure activity in the economy. Some VAT exempt sectors and businesses operating below the threshold for VAT registration are not covered. At the start of 2005, the VAT threshold was an annual turnover of £58,000, and 1.8 million of the estimated 4.3 million enterprises in the UK were VAT-registered.

3. However, some businesses do voluntarily register for VAT even though their turnover is below the threshold. Data for 2005 shows that around a fifth of all registrations have turnover below the VAT threshold.

4. To make the figures as comparable as possible over time, a number of adjustments are made. The registration figures for recent years are increased slightly to allow for the small number of registrations that take more than a few months to be reported. Similarly, the de-registration figures are decreased slightly to take account of dormant businesses which were classed as de-registered, but that have subsequently been found to be active again.

5. Many factors influence the pattern of business start-ups. Among the most important are economic growth (encouraging new ventures and creating demand for business and personal services), the level of industrial restructuring and contracting out, and the stock of people with management or small business experience.

6. The source of these figures is the Inter-Departmental Business Register (IDBR). It contains records of all businesses registered for VAT. The IDBR is administered by the Office for National Statistics (ONS), which publishes information on the stock of VAT registered businesses in UK Business: Activity, Size and Location. The Small Business Service and ONS publications complement each other, although adjustments and minor differences in coverage mean that they contain slightly different estimates of the registered business population. The SBS estimates are also subject to revision.

7. Some VAT-registered enterprises are excluded from the series, since details of their location or date of de-registration are not known. This is to avoid misleading comparisons of data. More detail is available in the accompanying guidance note on the Small Business Service website.

8. Two free electronic datasets are available from the Small Business Service website:

- estimates for every country, region, county, unitary authority, local authority district and parliamentary constituency in the UK, 1994-2005, plus more detailed estimates for each of the UK's main 200 or so industry sectors;
- a separate dataset for the period 1980-1993. Large increases in the compulsory VAT registration threshold in 1991 and 1993 mean that these figures should not be compared directly with the 1994-2005 file.

9. The datasets will be available to be downloaded from the Small Business Service website at www.sbs.gov.uk/vat. Estimates published in October 2005 covering the

period 1994 to 2004 have been revised in this year's publication. A guidance note, also on the website, gives details of the methodology and the revisions.

10. The 2004 de-registrations estimate released in last year's publication (October 2005) has been revised downwards significantly. This is because a number of dormant businesses, which had previously been identified as de-registered, became active again. The resulting decrease in de-registrations now seen in 2004, which continued into 2005, is consistent with source data from HM Revenue and Customs (HMRC).

For enquiries about this publication, contact the Small Business Service Analytical Unit:

Tel 0114 279 4344
E-mail statistics@sbs.gsi.gov.uk
Fax 0114 279 4477
Address 9-11 London Road, Sheffield, S2 4LA

For enquiries about National Statistics, contact the National Statistics Public Enquiry Service:

Tel 0845 601 3034
Minicom 01633 812399
E-mail info@statistics.gov.uk
Fax 01633 652747
Address Room DG/18, 1 Drummond Gate, London SW1V 2QQ

You can also find National Statistics on the internet - go to www.statistics.gov.uk.